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Ex parte Notice

December 2, 1997

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Magalie Roman Salas
Secretary
Federal Communications Commission
1919 M Street, NW
Room 222
Washington, DC 20554

RE: Payphone Compensation, CC Docket No. 96-128

Dear Ms. Salas:

Attached please find a copy of an *ex parte* filing made today on the above-referenced matter to John Muleta of the Federal Communication Commission's Common Carrier Bureau. Please include this document in the public record of this proceeding.

Respectfully submitted,

Keith Townsend

Keith Townsend
Director and Counsel
Legal and Regulatory Affairs

cc: John Muleta
Bob Spangler
Rose Crellin
Craig Stroup
Glen Reynolds

Handwritten: 024
Printed: 1401 H STREET NW SUITE 600 | WASHINGTON DC 20005-2164 | TEL 202.326.7300 | FAX 202.326.7333 | INT www.usta.org



December 2, 1997

John B. Muleta
Deputy Chief
Common Carrier Bureau
Federal Communications Commission
1919 M Street, NW
Room 500
Washington, DC 20554

RE: Payphone Compensation, CC Docket No. 96-128

Dear Mr. Muleta:

In an effort to further assist the Commission's evaluation of the United States Telephone Association's ("USTA") filings and data submissions in the above-referenced proceeding, USTA hereby submits the attached information on payphones served by non-equal access switches.

Respectfully submitted,

A handwritten signature in cursive script that reads "Keith Townsend".

Keith Townsend
Director and Counsel
Legal and Regulatory Affairs

cc: Magalie Roman-Salas
Bob Spangler
Rose Crellin
Craig Stroup
Glen Reynolds

USTA Data on

Dec. 2, 1997

Payphones Served by Non-equal Access Switches

In order to assist the Commission in its evaluation of USTA's Waiver Petition, additional statistics relating to the number of payphones served by the non-equal access switches is provided. USTA requested non-equal access switch and payphone data from its members and other LEC industry companies. The data submitted by the reporting companies was provided to the consulting firm Christensen Associates for further review and analysis. A report from Christensen Associates is attached.

As shown in Table 1 of the attached report, the overall average of total payphones reported per non-equal access switch is 5.6. To help put this average in perspective, USTA developed a surrogate for the average number of payphones over all switches -- both equal access and non-equal access. The FCC's Statistics of Communications Common Carriers, 1995-1996 Edition, shows a total of 1,432,843 Public Access Lines (all reporting LECs). The number of Public Access Lines represents a conservative estimate of payphones. If this number of reported Public Access Lines is divided by USTA's estimated number of 10,890 switch entities that would require a capability to transmit payphone identification information, the average number of Public Access Lines (payphones) per switch would be 131.

USTA concludes as did Christensen Associates that, "... it is almost certainly the case that the average number of payphones per non-equal access switch is significantly less than the average number of payphones over all switches."

USTA's cost estimate to provide a Flex ANI capability in non-equal access switches was nearly \$240 million (\$212 million for non-digital, non-equal access switch replacements and \$26.6 million to upgrade digital, non-equal access switches). This financial burden, coupled with the data provided, demonstrates that USTA's waiver request for non-equal access switches would serve the public interest.

Christensen Associates was retained by the United States Telephone Association (USTA) to evaluate the data USTA received in response to its payphone data request. The purpose of the payphone data request was to determine the number of payphones served by non-equal access switches.

USTA has determined that there are a total of approximately 1290 non-equal access switches, comprised of approximately 530 electro-mechanical switches and approximately 760 digital switches.¹ This represents approximately 12 percent of total switching entities.

USTA requested switch and payphone data from its members and other LECs. The responding companies reported a total of 432 non-equal access switches, representing over 33 percent of all non-equal access switches. Of these 432 switches, 182 were non-digital (electro-mechanical) and 250 were digital. These figures represent 34 percent of the non-digital (electro-mechanical) total and 33 percent of the digital total.

For the 432 non-equal access switches reported, there were 2,414 payphones recorded as being served by these switches, or an overall average of 5.6 payphones per switch. Of the payphones recorded, 2,015 were owned by LECs and 399 were owned by Independent Payphone Service Providers (IPSPs). This is an average of 4.7 LEC payphones per non-equal access switch and 0.9 IPSP payphones per non-equal access switch.

¹ See Letter from Keith Townsend, United States Telephone Association Director Regulatory Affairs and Counsel, to John B. Muleta, Deputy Chief, Common Carrier Bureau, Federal Communications Commission, October 24, 1997.

Table 1
USTA Survey of Non-Equal Access Switches

	LEC	IPSP	Total
Total Payphones	2,015	399	2,414
Total Non-Equal Access Switches	432	432	432
Average Payphones per Non-Equal Access Switch	4.7	0.9	5.6

Christensen Associates computed standard deviations for the average number of payphones per non-equal access switch. The standard deviations were 6.9 for the LEC average, 3.0 for the IPSP average and 8.4 for the overall average. The results of computing a 2-standard deviation band around each of the sample means are found in Table 2.

Table 2
Sample Statistics from Non-Equal Access Switch Survey

	LEC	IPSP	Total
Average Payphones per Non-Equal Access Switch	4.7	0.9	5.6
Standard Deviation	6.9	3.0	8.4
Lower Band: Average - 2 SDs**	0.0	0.0	0.0
Upper Band: Average + 2 SDs	18.5	6.9	22.4

**The effective lower band was taken to be zero.

From Table 2, it can be seen that the upper end of the 2-standard deviation band would put the overall number of payphones per non-equal access switch at 22.4. To put the statistics regarding average number of payphones per non-equal access switch in context, it is useful to compare these results to the average number of payphones over all switches, both equal access and non-equal access.

USTA estimated a surrogate for the average number of payphones over all switches—both equal access and non-equal access—by taking the number of public access lines reported in the FCC's Statistics of Communications Common Carriers and dividing it by USTA's estimate of the number of switch entities that would require a capability to transmit payphone identification information. The result was 131 public access lines per switch. Given that the number of public access lines is a conservative estimate of the number of payphones, the 131 public access lines per switch is a conservative estimate of the number of payphones per switch.

Therefore, the resulting average of payphones per non-equal access switch of 5.6 is significantly less than the average number of payphones over all switches. Even at the upper end of the 2-standard deviation band, 22.4 payphones per non-equal access switch is still significantly below the overall average of 131.

The average number of payphones served by the unsampled, non-equal access switches would need to be over 190 payphones per switch to raise the sampled average of 5.6 to 131 payphones per switch. Given the greatest number of payphones per switch in the 33 percent sample of non-equal access switches was 55, the probability of the average number of payphones for the unsampled non-equal access switches to be over 190 is virtually zero. Therefore, it is almost certainly the case that the average number of payphones per non-equal access switch is significantly less than the average number of payphones over all switches.